



Department for
Communities and
Local Government

Local Growth Fund

Housing Revenue Account Borrowing Programme (2015-16
and 2016-17): Frequently Asked Questions

Updated July 2014

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July 2014

ISBN: 978-1-4098-4217-0

Housing Revenue Account Borrowing: Frequently asked questions

Introduction

This document is written primarily for councils who may be considering submitting a bid to the Housing Revenue Account Borrowing Programme. It aims to answer the main questions they may have about the programme. It does not seek to provide a definitive view how the programme might operate as the Government is keen to see innovative new approaches, nor does it seek to provide legal advice. Councils should ensure they seek their own legal advice where necessary.

Questions and Answers

1. My council is not yet at its borrowing cap but would like additional headroom to bring forward new schemes. Can we bid?

The programme is aimed at councils who are at or close to their borrowing cap and need more headroom for the purpose of developing new homes. If you are a council with headroom, but have already earmarked that headroom for other capital purposes you can still bid to the programme but will need to set out why the additional borrowing is required.

2. Can my council also use its existing headroom to help fund a scheme?

The prospectus sets out the bidding requirements. It states that councils should set out the estimated scheme costs and the amount and sources of funding available including the additional borrowing requested and any other borrowing needed to finance the scheme. We will take into account the overall impact on public borrowing in the value for money assessment.

3. Can we bid for increased borrowing for one scheme over the two financial years?

Yes. Bids that require additional borrowing over two financial years should set this out and explain how much additional borrowing is required to finance capital expenditure per scheme in each of the two financial years.

4. Can my council bid for additional borrowing for more than one scheme?

Yes. But we will be making individual scheme assessments so all bids will need to set out clearly the amount of additional borrowing needed per scheme.

5. The prospectus states that the deadline for bids is 16 June – can you clarify what it is for this second bidding round?

The deadline for bids to be made is 30 September 2014. We do not envisage any major changes to the bidding and assessment process. Any enquiries about this can be sent to HRABorrowing@communities.gsi.gov.uk.

6. Will you be accepting any Expressions of Interest for additional borrowing at a later date?

We will only be accepting firm bids for additional borrowing in this second bidding round.

7. How much borrowing is available in this second round?

We have allocated £60 million additional borrowing to local authorities to date and expect to make further allocations at the end of the summer. Local authorities should therefore be looking to submit competitive bids for schemes that can deliver new affordable homes quickly.

8. Who can bid for the second round of the Housing Revenue Account Borrowing Programme?

Any stock-holding council with a Housing Revenue Account that needs extra borrowing in 2016/17 to support new affordable housing schemes can bid. We have already received a number of expressions of interest for the second round and will be talking to those authorities about their initial proposals.

9. Will my council be able to bid for additional borrowing to support other forms of housing - such as private housing for sale?

The Government is clear that the additional borrowing is available to support new affordable homes. But you may bring forward bids that include other market tenures which could cross subsidise scheme development costs.

10. We would like to develop new shared ownership schemes or new social rent provision. Will the Government support such schemes through this programme?

The intention of this programme is to provide new affordable rent homes (and, where appropriate, affordable home ownership homes). Social rent provision will only be supported in very limited circumstances.

11. Do councils need to enter into a Framework Delivery Agreement with the Homes and Communities Agency to charge an Affordable Rent?

All councils who will charge an Affordable Rent on new build properties that it will own will need to follow the process set out in Annex C of the Prospectus, i.e. a letter

to the Homes and Communities Agency/Greater London Authority in the stated format.

Any registered provider working with the council which will charge an Affordable Rent on new build properties that it (the registered provider) will own will need a Short Form Agreement or a Framework Delivery Agreement with the Homes and Communities Agency/Greater London Authority. If the registered provider wishes to carry out conversions of existing properties to an affordable rent, as part of the scheme, it will need a Framework Delivery Agreement.

If your housing association partner does not have the necessary Agreement, this will need to be entered into; details can be found on the Homes and Communities Agency website: <https://www.homesandcommunities.co.uk/affordable-homes>. Where a housing association partner does have the necessary Agreement, we will expect all new Affordable Rents to be charged to be approved as necessary, and all affordable homes to be delivered to be recorded.

12. Can my council use right to buy receipts including 1-4-1 receipts to help fund the development?

Councils can use the local authority share of their Right to Buy receipts to help fund the development but not the 1-4-1 receipts. The Government's firm policy intention is that 1-4-1 receipts are for replacement homes as a result of the reinvigoration of Right to Buy scheme.

13. When do the new affordable homes have to be completed by?

We are looking to support schemes that can be brought forward and delivered quickly. We will not be imposing a completion date but those bids with schemes that have early completion dates will take priority in the deliverability assessment.

14. My council would like to use the additional borrowing to grant fund a housing association to build. Can we bid?

No, if your council wanted to give a grant to a housing association for purposes of development then this would need to be accounted for with the council's General Fund. For the borrowing to count as Housing Revenue Account borrowing, the capital expenditure financed by that borrowing would need to be on Housing Revenue Account land (i.e. land, houses and other buildings which the authority is required to account for within its Housing Revenue Account).

15. Are there any specific requirements on how the council should borrow, for example from the Public Works and Loan Board?

No. How the council undertakes additional borrowing is a matter for them.

16. How will the Housing Revenue Account borrowing cap be increased?

Local authorities who make successful bids for the additional borrowing will receive a new indebtedness determination to provide for additional Housing Revenue Account

borrowing (up to the agreed amount) which the authority undertook to finance capital expenditure on approved schemes during 2015/16 and/or 2016/17.

We have provided an example of a draft determination in the bidding document.

17. Why do councils need to contribute public sector land, and dispose of high-value vacant stock?

The Government will be looking to councils to make the best use of their public assets – whether that is unused land or vacant stock. This will ensure we have a competitive approach to drive down costs and maximise the number of new homes delivered. Where use of local authority land and asset disposal is not part of the bid local authorities must explain how they have arrived at this conclusion.

18. What is high value stock?

We will not be providing a prescriptive definition of high value stock, but the firm intention is that councils must actively seek to manage their housing stock by selling off vacant high value units which can then be used to cross subsidise scheme costs and reduce their housing revenue account borrowing request.

19. My council does not have any currently vacant high value stock – will we be penalised in the assessment?

All bids must show how they have considered the contribution of land and receipts from the disposal of stock, including, in particular, high value vacant stock. If contributions from land and asset disposal are not part of your bid you must explain how you have arrived at this conclusion.

20. Are councils expected to work with Housing Associations or through Joint Ventures?

Some local authorities are already working with private sector partners or through Joint Ventures to deliver housing and the Government wants to support those authorities who are thinking creatively about how they can deliver new housing but which need some additional borrowing ability.

21. Can the council bring land forward from within its general fund to develop homes through this bidding scheme?

Yes. The council would however, need to account for the land within its Housing Revenue Account which under current rules will necessitate a notional transfer of debt from the general fund to the Housing Revenue Account.

22. But transferring land from the general fund will reduce our borrowing headroom even further – will you take this into account in our bid?

We recognise that transfers of land from the general fund to the Housing Revenue Account can affect your borrowing headroom; however, this will need to be incorporated into the bid and will be considered in the value for money assessment.

Where local authorities are working in partnership with a housing association they should consider structuring the development to have a minimal impact on the Housing Revenue Account.

23. How do we submit our bids?

We anticipate that the bidding process will operate as it did for the first round – using the Homes and Communities Agency’s Investment Management System (IMS). Providers wishing to bid that do not currently have access to the Information Management System should contact the service desk at servicedesk@hca.gsi.gov.uk or telephone 01908 353604 and request an Information Management System application pack.

24. What do councils need to do to secure endorsement by the Local Enterprise Partnership?

Our aim is that councils will work with Local Enterprise Partnerships, in support of local growth strategies, to increase the supply of housing locally. Councils will need to confirm that their bids are endorsed by their Local Enterprise Partnerships, and we will also be looking for confirmation that any potential bids are in line with the objectives of local Strategic Economic Plans.

We will also be looking to engage with the councils where a Strategic Economic Plan indicated that a local authority would be likely to bring forward a bid for additional Housing Revenue Account borrowing.

25. Will all bids endorsed by the Local Enterprise Partnership be given additional borrowing requested?

The Local Enterprise Partnership endorsement is essential to demonstrate that bids form part of a wider growth strategy and that they will help to address local housing need. However, final decisions on the bids for additional Housing Revenue Account borrowing will be taken by the Secretary of State for Communities and Local Government.

26. My council area is covered by more than one Strategic Enterprise Plan. Should I be seeking endorsement from each Local Enterprise Partnership body?

It is a matter for the council submitting the bid to decide whether they wish to provide evidence of endorsement from more than one Local Enterprise Partnership.

27. Is there a different process in London? What is it?

This is a national programme and all bids will be considered against the same assessment criteria. However, to reflect the specific housing responsibilities of the Mayor of London, the Greater London Authority will be assessing bids in London whilst the Homes and Communities Agency will assess all other bids. Final decisions on the bids will be made by the Secretary of State for Communities and Local Government.

28. We are not an investment partner with the Homes and Communities Agency/Greater London Authority, can we still bid?

Yes, if your bid is successful then the additional borrowing would be conditional on becoming an investment partner with the Homes and Communities Agency or the Greater London Authority. More information can be found at:

<https://www.homesandcommunities.co.uk/affordable-homes>